

The Performance of Youth SMEs Companies in Malaysia during Post-Covid19: A Conceptual paper

N. S Azahar, S. Uthamaputhran*, N. Bahari

Faculty of Business and Entrepreneurship, University Malaysia Kelantan, 16100 Kelantan, Malaysia

*Corresponding Author: a21d046f@siswa.umk.edu.my

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Abstract: In 2019, the contagious COVID-19 virus wreaked havoc on our planet. According to the Organization for Economic Co-operation and Development, this virus is to blame for the global and Malaysian economies' sharp declines (OECD). Many SMEs were affected, and some of them had to shut down their operations. The previous models for sustaining the businesses seems irrelevant during the pandemic phase as well as post-pandemic period. Because of that issues, researchers conducting this study. With an effectuation approach and dynamic capacities, the goal of this research is to investigate the performance of Young SMEs during the Post-Pandemic. For this study, it is important to take into account social capital, technological capabilities, and knowledge development. After reviewing the specialized literature and confirming the relationship between the pertinent variables, the authors suggested a new model based in Malaysia in order to accomplish this goal. This study will look at Youth SME companies that were established prior to the pandemic and will analyze them quantitatively. The findings of this paper will assist youth SMEs in dealing with uncertainty in the future, such as Covid-19, and will serve as a reference for academicians in the future, as there are few studies that focus on youth entrepreneurs in Malaysia.

Keywords: *Effectuation Process; Dynamic Capabilities; youth SMEs; Performance; Pandemic; Government Policies; Malaysia*

1. Introduction

The role and contribution of small businesses as domestic market actors has received widespread attention in both small and international literature. Many countries around the world have emphasized the importance of small and medium-sized businesses in economic development. In Malaysia, SMEs are significant and recognized as the engine of the country's economic expansion [1]. As a result, SMEs in Malaysia provided 97.2% of all business growth in 2020, regardless of industry or size, and 38.2% of the country's GDP in 2021 [2], [3].

However, the sudden appearance of Covid-19 in recent years has caused a recessionary trend in the global

economy, with no single country able to withstand its negative effects. It has an impact on many businesses, including small and medium-sized businesses, that have limited their global chain activities. This is due to logistical constraints and limitations, as well as other SMEs-related issues. The government's COVID-19 and Movement Controlled Order (MCO) reduced the performance of SMEs. This can be seen in the fact that the GDP of SMEs would fall by 7.3% in 2020, which is more than the GDP of Malaysia and the GDP of non-SMEs will decline by 5.6% and 4.6%, respectively [3].

Thus, one of the major revival plans to get the business back on track is through the process of entrepreneurship,

Corresponding Author: Syaiful Baharee Jaafar, Polytechnic of Tuanku Sultanah Bahiyah, Kulim Hi-Tech Park, 09000 Kedah, Malaysia.
Email: syaiful_1974@yahoo.com.my

particularly when looking at the performance of SME companies during the post-pandemic period. Some companies seek profit while others are still suffering from pandemic and post-pandemic effects.

In Malaysia, the role of SMEs, including youth-founded SMEs, in accelerating the country's economic growth has received widespread recognition [51]. Many countries' most valuable capital comes from young entrepreneurs. These entrepreneurs will be future leaders and part of the human capital required for development. To support their businesses, these Youth SME companies have actively brought in new ideas, new technological capabilities, and unique business models. The Malaysian Youth Policy, enacted in 2015, defines youth as people aged 18 to 30, and the government has implemented initiatives to combat unemployment by encouraging young people to pursue self-employment. These entrepreneurs will be future leaders and part of the human capital required for development. When compared to most mature companies, youth entrepreneurs' unique talent, specific capabilities, and competencies have helped them survive many uncertainties.

This article will highlight the key factors that support SMEs and their relationship with SMEs' performance during the post-pandemic period, with a focus on youth businesses that we believe survived the pandemic. There are many unknowns about how a company can remain in the domestic market during a pandemic. It becomes more intriguing because so little is known about the critical elements ensuring domestic sustainability during post-pandemics. The study of these problems appears to be lacking in numbers, and more research in this field is needed, particularly with small businesses and pandemics, as current models and concepts are incoherent. As a blueprint, this study will be useful to young entrepreneurs, academics, and governments.

2. Literature review

2.1. Covid-19 and the changes in SMEs

Malaysia is among the countries affected by the pandemic because the government imposed Movement Control Orders (MCO) to prevent the virus from spreading. More SMEs had gone out of business as a result of the extended Movement Control Orders. The scarcity was exacerbated, according to Noor Azmi Mat Said, Chief Executive Officer of SME Corporation Malaysia (SME Corp Malaysia), because the bulk of these SMEs, especially microenterprises, have a meagre cash flow to survive [4].

The Covid-19 containment policy, which calls for the entire cessation of commercial operations, is one of the

elements that could have an impact on the success of small firms, especially SMEs, during the MCO period and emphasises reducing physical contact between customers and employees [5]. SMEs must create numerous plan simulations. Because of restrictions on those tactics, SMEs' marketing strategies during the pandemic were also out of date [6].

Small and medium-sized businesses, particularly young entrepreneurs, are more prevalent in terms of their contributions to economic growth. Because various initiatives and assistance for young people are only directed at those between these ages, only those in Malaysia between the ages of 18 and 30 are considered youth entrepreneurs.

Malaysians must remain at home and follow the Movement Control Order due to the coronavirus (Covid-19) (MCO). Social media channels become more important throughout this MCO [7] and are still used today because consumers are more comfortable with the online method. As a result, this study will concentrate on factors of post-pandemic performance of youth entrepreneurs that other researchers have never investigated. This research will look at knowledge development, social capital, and technological capabilities, with government policies acting as a bridge.

2.2. Theories

The effectuation hypothesis serves as the guiding theory for a study. In management-focused entrepreneurial behavior, this idea outlined the link between independent and dependent variables. As a supporting theory, dynamic capabilities are included in this study.

Effectuation is the selection of potential effects that a given set of means can produce. It is based on effectuation theory [8]. Effectuation is a theory of expert decision-making that emerged in the entrepreneurial literature [8], and it is recommended as a useful technique for making decisions under ambiguous conditions.

Several studies have used this concept to determine how businesses make decisions to survive, maintain, or change their commercial goals—but not for post-pandemic situations. [9] investigates the theoretical model that connects effectuation to innovation strategy in high-tech new businesses via opportunity shaping. Furthermore, [10] conducted research on the digital business model with effectuation as the main theory. Researchers [11] examined firm performance and institutional function because they were unsure whether this hypothesis affected business or the other way around.

The work's underlying premise is dynamic capabilities

(DC). DC was defined in seminal research as "the firm's ability to integrate, build, and reconfigure internal and external competence to address rapidly changing situations" by [12]. Previous researchers have used this theory to investigate its relevance to business model innovation (BMI). DC is an appealing theoretical strategy for better understanding BMI. When firms operate in environments where technology change is systematic and new products and services must be developed to accommodate market shifts, DC is especially important for innovation strategy.

Small and medium-sized enterprises (SMEs) and young businesses in particular face significant challenges in volatile environments that must be overcome in order to succeed over generations. Because technology appears to have played a significant role in pandemic communications, this theory chose technological capabilities as an independent variable. The major theory, effectuation theory, was chosen because the researcher believes dynamic capabilities theory is best suited to support the arguments in this study.

2.3. Conceptual framework

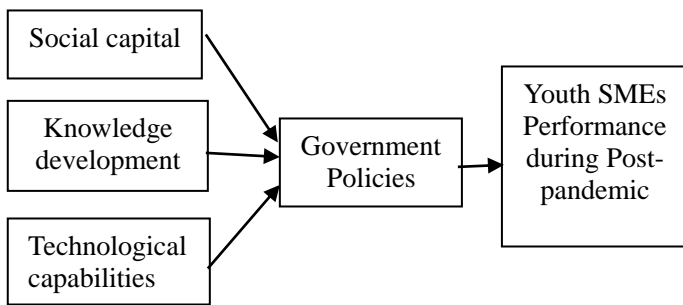


Figure 1.0 Conceptual framework

A conceptual framework for this investigation is shown in Figure 1.0. Social capital, knowledge development, and technological capabilities are the independent variables while Youth SMEs' performance during Post- the pandemic is the dependent variable. Meanwhile, government policies act as the mediator in this study.

2.4. Hypothesis

The hypothesis establishes the relationship between the study's dependent and independent variables. The independent factors in this study are technology, knowledge development, and social capital. The dependent variable is the performance of Youth SMEs following the pandemic, with government policies acting as a moderator. The diagram below depicts the hypothesis between independent and dependent variables, as well as the mediator.

H1: There is a positive relationship between social capital and youth SMEs' performance during the post-pandemic.

H2: There is a positive relationship between knowledge development and youth SMEs' performance during the post-pandemic.

H3: There is a positive relationship between technological capabilities and youth SMEs' performance during the post-pandemic.

H4: Government policies positively mediate the relationship between independent variables and dependent variable

H4a: Government policies positively mediate the relationship between social capital and youth SMEs' performance during post-pandemic.

H4b: Government policies positively mediate the relationship between knowledge transfer and youth SMEs' performance during post-pandemic.

H4c: Government policies positively mediate the relationship between technological capabilities and youth SMEs' performance during post-pandemic.

3. Methodology

3.1. Research design elements

The quantitative design research method will be used for this investigation. The demographic for this study will be young entrepreneurs between the ages of 18 and 30. Certain requirements will be used to pick the samples, such as the youth entrepreneurs having to have existed before to the epidemic. Partial least squares structural equation modelling will be used to analyze the study's data (SEM-PLS). The features of the research design are summarized in Table 3.0.

Table 3.0 Summary of Research Design Elements

Research design elements	Selected elements for this study
Philosophy	Positivism
Approach	Deductive
Strategies	Survey
Choice	Quantitative method
Time horizons	Cross-sectional
Technique and procedures	Data collection- self-administered questionnaire Data analysis - descriptive analyses, mediating analysis, and moderating analysis.
Unit of analysis	Individual

3.2 Operationalization of Variables

According to the literature review [13] and the conceptual framework described in chapter three, all of the components in the study are multidimensional constructs with higher reliability and validity than single-item measurement. Creating measurement items entails looking at previously used scales and paying close attention to their demonstrated validity and alpha values. However, several items were modified from other studies, and others were created based on the variable definitions. This section describes the operationalization of the concepts derived from the literature.

3.3 Measurement for Demographic Profile

All the question items use a Likert scale of 1 to 5, where 1 equal to strongly disagree, respondents were asked to rate each of the 29 items which include the questions of the demographic of the respondents, independent variables, dependent variables, and the mediator.

3.4 Instrument design

The sample was drawn from a population of young Malaysian SMEs aged 18 to 30. The researcher chose single-informant methodologies because they may be effective at data collection. Despite the use of the word "we" in the questionnaire, the majority of empirical studies on the need for knowledge transfer, social capital, and research technological capabilities, according to [14], use a single informant approach. Furthermore, single-informant approaches are used in government policies and firm performance studies (e.g., [15], [16]). While decision-making in a larger company is likely to take place in a collaborative setting, in small and medium-sized businesses, the owner-manager is typically the primary decision-maker [17]. Furthermore, the company's strategic direction would be decided by a single decision-maker, who was frequently the owner-manager.

3.5 Reliability and validity

The reliability and validity of the study will be tested before data collecting begins. In order to increase dependability, the researcher will adhere to four criteria: (1) configuring all constructs, (2) raising measurement standards, (3) utilizing some indicators, and (4) carrying out pilot investigations. Reliability less than 0.6 is regarded as bad, 0.70 is acceptable, and greater than 0.8 is desirable, according to [18]. Items will be deleted or filtered if their scores fall below 0.70.

Conclusion

Even though this study is still in progress, it will make a substantial academic contribution to the body of knowledge by evaluating the hypotheses, determining whether they are accepted or rejected, and connecting the conclusions to empirical data gleaned from the literature. This study will give young businesses a strategy for addressing upcoming uncertainties like COVID-19. Also, the government can

help Business owners by enforcing regulations at inconvenient times.

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